

Use of Compensation Reserve Funds

House Select Committee on Education Strategy and Practices April 13, 2016

Jennifer Haygood, EVP and Chief Financial Officer North Carolina Community College System



2015 Appropriations Act

FY 15-16

FY 16-17

Compensation Reserve

\$10 m

\$20 m

Provides funds for salary increases for State-funded local community college employees. Community Colleges are given flexibility in allocating these funds to their State-funded employees.

- Section 30.5.(b) of S.L. 2015-241
 - Community college boards of trustees may provide personnel a salary increase pursuant to SBCC policies.
 - Funds may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, (v) any other compensation increase pursuant to policies adopted by the State Board of Community Colleges."



Allocation of Funds

- Funds were allocated among colleges consistent with regular funding formula.
- Total allocated:

Salaries: \$8,132,063

FICA (7.65%): \$622,102

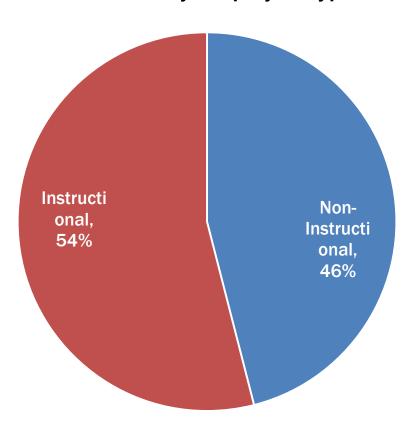
Retirement (15.32%): \$1,245,835

Total: \$10,00,000

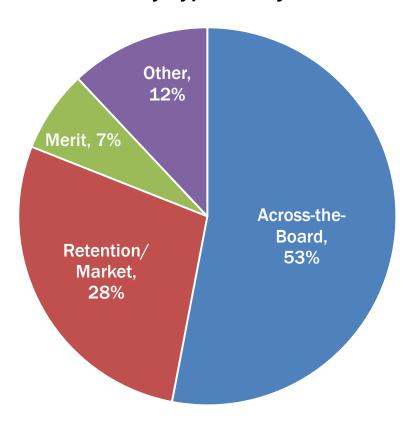


Use of Compensation Funds

Increases by Employee Type

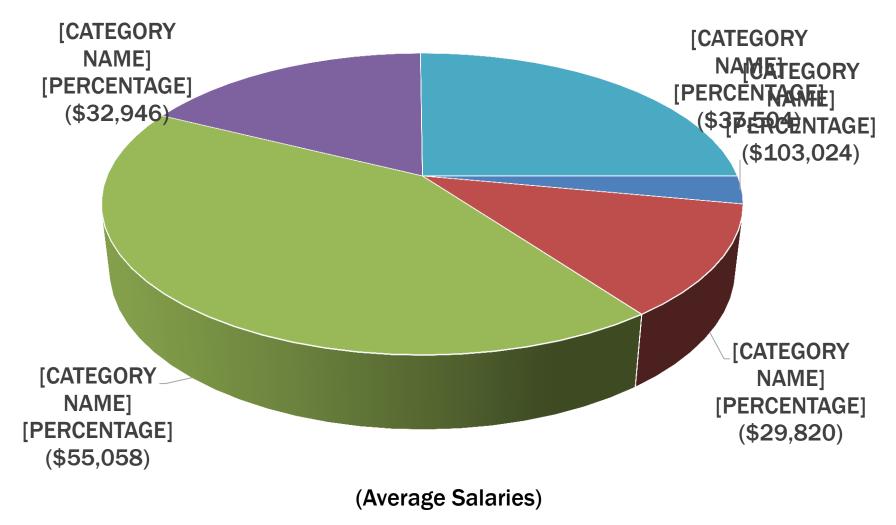


Increases by Type of Adjustment





Full-Time Non-Instructional Staff





Increases by Type

54 colleges used a combination of strategies.

	Across-the-Board	Market/Retention	Merit/Other
# of Colleges	48*	39	44
Amount of Increases	\$5.28 million	\$2.82 million	\$1.89 million

^{*6} colleges provided across-the-board increases only to instructional personnel.

 Multiple colleges used funds to implement salary adjustments recommended by a salary study conducted by an outside firm.

4/13/2016 6

^{*38} colleges expended more than 25% of their compensation reserve funds on <u>non-across-the-board</u> increases.



Tiered Funding Model

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Prior to FY 2011-12

- Colleges provide instructional through three instructional areas: curriculum, continuing education, and basic skills.
- Funding for instruction was the same for all courses within an instructional area.

FY 2010-11 Funding per FTE				
	CU	CE	BS	
First 500 FTE	\$4,131	\$2,964	\$4,015	
Above 500 FTE	\$3,151	\$2,273		



Legislative Actions

- 2011: Directed allocation of instructional funds on a weighted FTE basis (3 tiers).
- 2012: Elevated college-level math to Tier 1.
- 2014: "Closing the Skills Gap" Initiative
 - Established an additional funding tier (Tier 1A) to for courses that train students for immediate employment in priority occupations.
 - Adjusted tier designations for priority workforce continuing education courses.



Identifying Tier 1A Courses

Labor Market Data

Priority Occupations

CIP* Codes (*Classification of Instructional Programs)

Curriculum Programs

"Major" CU Course Prefixes Related Con Ed Courses



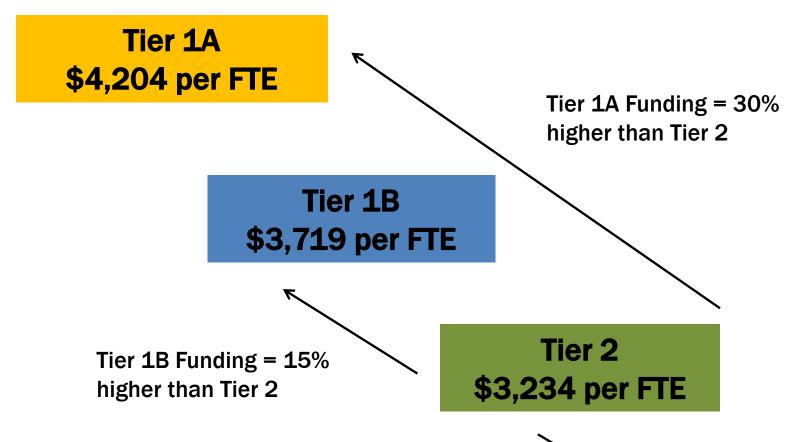
All other Continuing Education courses

Tier Designation Criteria

Final Workforce Designation Priority Base Designation Upgrade? Tier 1 Tier 1A **Curriculum Health Science prefixes Curriculum Technical Education prefixes in the areas of Construction, Engineering, Industrial Systems, and Transportation Systems Curriculum Lab-Based Science prefixes** -Yes Curriculum college-level Math courses (MAT >100) Other Curriculum prefixes based on the following considerations: Tier 1B Facility requirements 'No Equipment start-up and/or on-going costs Supply & software start-up and/or on-going costs Enrollment limitations resulting from student/faculty ratios or program enrollment caps Instructor costs resulting from SACS requirements, required licensure or certification, or market demand Continuing Education courses that provide instruction that prepares students for the exact same third-party certification as curriculum courses in this tier. Tier 2 .Yes Tier 2 All other curriculum prefixes Continuing Education courses that are scheduled for 96 hours or more and are mapped to a third-party credential, certificate, or industry 'No designed curriculum · Basic Skills courses Tier 3 Tier 3



Instructional Funding Tier Levels: FY 2015-16

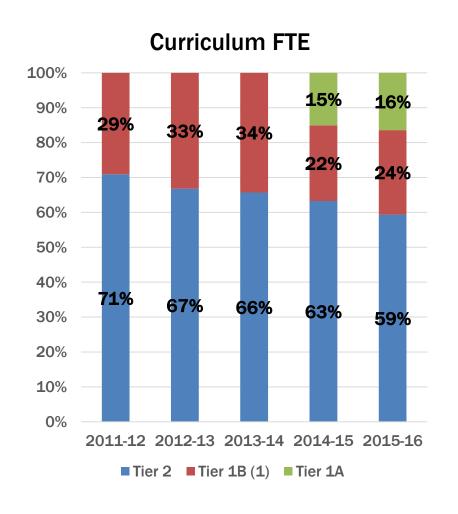


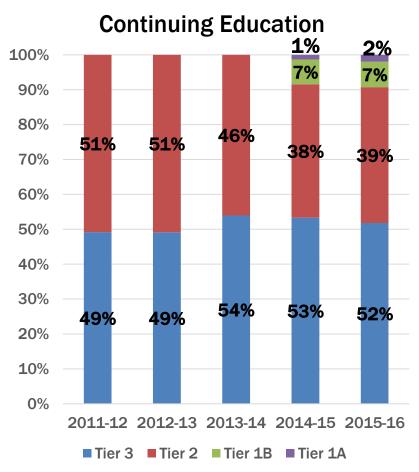
Tier 3 Funding = 15% below Tier 2

Tier 3 \$2,748 per FTE



FTE by Tier







Future Tier Reviews

- Per March 2015 Report to OSBM and FRD
 - Review tier designation in 2016 and every four years thereafter
 - Step 1: Review base tier designations
 - Step 2: Review workforce priorities and associated tier upgrades
 - Step 3: Calculate estimated fiscal impact
- Possible Long Session budget request associated with tier designation changes